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October 12, 2000

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
445 12th St., SW
Washington, D.C. 20554

EX PARTE OR LATE FILED

NOTICE OF EX PARTE
PRESENTATION

Re: CC Docket No. 96-128 (remand of inmate s

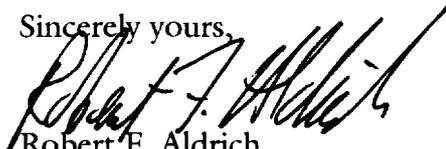
Dear Ms. Salas:

On October 11, 2000, Robert Aldrich of this law firm and Vince Townsend of Pay-Tel Communications, Inc., representing the Inmate Calling Service Providers Coalition, met with Mary Beth Richards, Acting Deputy Chief of the Common Carrier Bureau.

We discussed the proceeding regarding inmate calling services on remand from the United States Court of Appeals for the D.C. Circuit. In particular, we discussed the need for the Federal Communications Commission to provide, pursuant to 47 U.S.C. § 276, fair compensation for inmate service providers for local collect calls where state rate ceilings preclude recovery of the cost of the calls.

The substantive points discussed are reflected in the enclosed documents which were handed out at the meeting. The document entitled "Jails: by State ADP" lists small jails served by one inmate service provider.

Sincerely yours,


Robert F. Aldrich

RFA:nw
cc: Mary Beth Richards

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Enclosures

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An Approach to Fair Compensation and Reasonable Rates for Inmate Service

Pursuant to 47 U.S.C. § 276, the FCC must ensure that providers of telephone service to inmates of confinement facilities are fairly compensated for each call made from their phones. At the same time, inmates of confinement facilities and their families are entitled to reasonable, cost-based rates. In the pending inmate service remand, the Commission has an opportunity to promote both objectives: (1) *fair compensation* and (2) *reasonable rates* for inmates and their families.

- ◆ Currently, inmate service providers are not fairly compensated for service to jails in a number of states where artificially low state rate ceilings preclude recovery of the full cost of local collect calls.
 - Local calls make up over 80% of the calls from city and county jails.
 - Inmate service providers serving jails in low-rate-cap states like North Carolina, South Carolina, and Tennessee are not profitable on their service as a whole. Providers in these states are undercompensated by approximately one dollar per local call.
- ◆ To fully recover their losses on local calls, providers in these states would have to charge extremely high rates for interstate calls, even higher than AT&T's current tariffed interstate rate of \$12.23 for a 12-minute call.
- ◆ Requiring providers to charge below-cost rates on local calls and rates far above cost on interstate calls conflicts with the FCC's recent findings that "[w]e are unaware of any public policy reason why users of interstate operator services should be required to subsidize users of intrastate operator services" and "it would be an undue burden on interstate commerce to have costs of providing intrastate service to prison inmates cross-subsidized by interstate service ratepayers." *Billed Party Preference for InterLATA 0+ Calls*, CC Docket No. 92-77, *Second Report and Order and Order on Reconsideration*, FCC 98-9, released January 29, 1998, ¶¶ 55, 61.

The Commission should ensure that inmate calling service providers are fairly compensated for local calls by authorizing inmate service providers to charge local collect call rates that recover the per-call costs of local calls in states where the state-imposed rate ceilings applicable to a 12-minute call are lower than per-call costs. The Commission could authorize inmate service providers to exceed a particular state's rate ceiling after submitting cost data showing that the individual provider's per-call costs exceed the local collect call rate ceiling in a particular state.

In addition, to ensure that rates for other calls are fair to inmates and their families, the Commission could require an inmate telephone service provider, as a condition of being allowed to exceed the local call rate ceiling in a particular state, to commit to charging cost-based rates for all their calls – local, intraLATA, and interLATA (intrastate and interstate) – in that state.

- ◆ A provider would demonstrate its costs for local, intraLATA, and interLATA calls.
- ◆ A provider's per-call costs for each type of call would be developed, using the following cost categories.
 - line charge
 - usage charges
 - validation
 - maintenance and repairs
 - equipment depreciation
 - overhead
 - return
 - commission
 - unbillables/uncollectibles
- ◆ The provider would use consistent methodologies to develop costs for each type of call.
- ◆ The provider would explain any differences in per-call costs incurred for each type of call (*e.g.*, telephone usage charges).
- ◆ The provider would submit proposed rates, based on its demonstrated costs, for each category of call.

While the Commission has “forborne” from exercising authority to regulate interstate rates under Section 203, the Commission may determine, in this proceeding, that in order to provide fair compensation under Section 276, it may indirectly require inmate service providers to develop cost-based rates as a condition of receiving fair compensation for local calls.

THE TELECOMMUNICATIONS ACT OF 1996

INMATE CALLING SERVICES

Specific Mandates of Section 276 of the 1996 Act.

- Section 276(a)(1) directed the Commission to "ensure that all payphone service providers are fairly compensated for each and every completed intrastate and interstate call using their payphone."
- Section 276 also required the Commission to establish nonstructural safeguards to end the BOCs' historical discrimination against independent Inmate Calling Service (ICS) providers in favor of their own ICS operations.

"I am committed to making sure that the Commission does its part to help you compete. That means making every effort to implement and enforce not just the letter, but also the spirit of Section 276 of the Telecom Act."

"Justice delayed is justice denied. And I just think that for too long it has just taken too long to get justice at the FCC, and that is going to change."

FCC Chairman William Kennard, October 20, 1999

For further information contact:

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HISTORY

- The Commission failed to adequately address ICS in the payphone orders.
- The Coalition filed a petition for review of the Commission's rulings with the United States Court of Appeals for the District of Columbia Circuit.
- After the filing of the Coalition's initial brief, the Commission sought a voluntary remand of the case. The Commission acknowledged that it had not adequately addressed the issues raised by the Coalition and asked the court to return the proceeding to the Commission so that it could provide further analysis, promising that it would act expeditiously. The court granted the Commission's request for remand on January 30, 1998.
- Over the past three years members of the Coalition have made 15 trips to Washington seeking the fair compensation and adequate safeguards for fair competition promised by the Telecommunications Act. During this time period we have regrettably had to educate five different sets of Staff in attempting to get movement on our issues.
- Now, over two years later, the Commission is turning its attention to the remand proceeding. In the three years since the *Payphone Orders*, independent ICS providers have struggled to compete without the fair compensation to which they are entitled and without the "level playing field" promised by the Telecommunications Act.

KEY:	Inmate FCC Meetings	NST FCC Meetings
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1997 INITIATIVES AT FCC

Date	Initiative	FCC Participants	Industry Partitipants
March 19	Meeting-Inmate Rates	Mary Beth Richards	Townsend, DSMO
April 8	Meeting CEI/CAM	Accounting & Audits Division	John O'Keefe, Aldrich
May 6	Meeting - CEI/CAM	Jose Rodriguez & Accounting Staff	Aldrich
July 29	Meeting-Inmate Rates	1st Team Mary Beth Richards Michael Carowitz Glenn Reynolds	Townsend, DSMO

1998 INITIATIVES AT FCC

Date	Initiative	FCC Participants	Industry Partitipants
February 25	Meeting - Inmate Remand	Mary Beth Richards	Kramer
April 21	Meeting - NST	Dan Abeta Calvin Howell	Trathen Townsend, DSMO
April 21	Meeting - Inmate Remand	Larry Strickland Glenn Reynolds	Townsend, DSMO
May 14	Meeting - Inmate Remand	2nd Team Rose Crellen Jennifer Myers	Townsend, DSMO
May 14	Meeting - NST	Pat Donovan Dan Abeta Calvin Howell Raja Kannan	Trathen Townsend, DSMO
May 28	Meeting - Inmate Remand	Jennifer Myers Rose Crellen Craig Stroup	Townsend, Farber
August 19	Meeting - Inmate Remand	3rd Team Anna Gomez Judy Albert	Townsend, DSMO
August 19	Meeting - NST	Dan Abeta Calvin Howell Raja Kannan	Trathen Townsend, DSMO
November 5	Meeting - NST	4th Team Kris Montieth Raja Kannan Calvin Howell	Trathen Townsend, DSMO
November 5	Meeting - Inmate Remand	Kris Montieth Calvin Howell	Townsend, DSMO

1999 INITIATIVES AT FCC

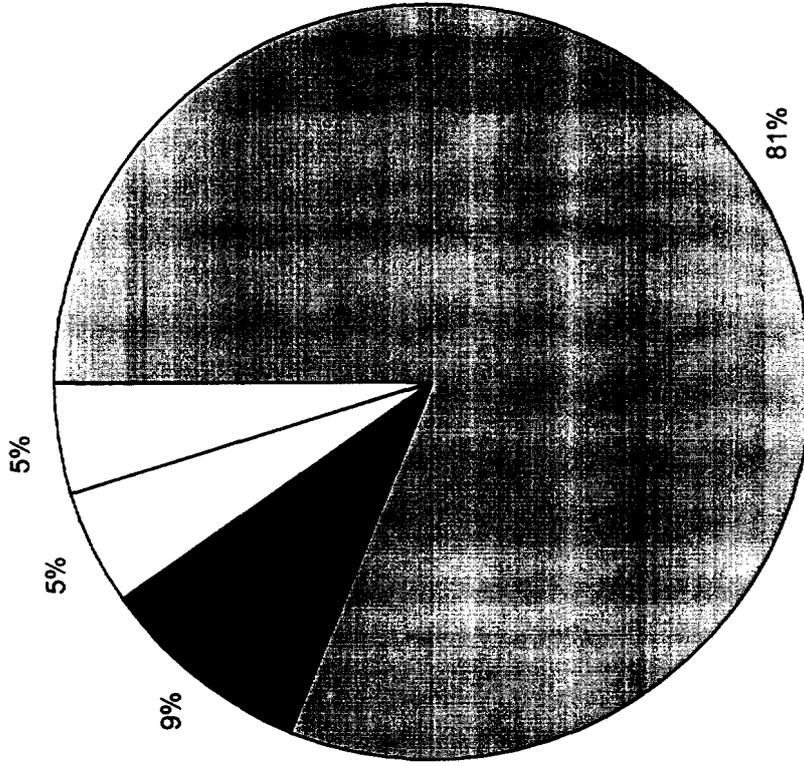
Date	Initiative	FCC Participants	Industry Partitipants
February 24	Meeting - Inmate Remand	Kris Montieth & Staff	Kramer
March 18	Conference Call - Inmate Remand	Kris Montieth & Staff	Kramer
April 28	Meeting - NST	Jane Jackson Full Staff	Several Players
May 6	Public Notice - Inmate Remand		
June	Inmate Remand Comments		
June 29	Meeting - NST - New Jersey	Lynne Milne, Calvin Howell, Jon Stover, Rene Terry, Raja Kannan	Dennis Lincoln, Beach, Wood, Townsend, Aldrich
July 21	Inmate Remand Reply Comments		
October 18	Meeting - Inmate Remand	5th Team Lynne Milne, Jon Stover, Renee Perry, Calvin Howell, Raja Kannan	Townsend, Aldrich, Farber
November 17	Meeting - Inmate Remand	Lynne Milne, Jon Stover, Renee Perry, Calvin Howell, Raja Kannan	Townsend, Aldrich

2000 INITIATIVES AT FCC

Date	Initiative	FCC Participants	Industry Partitipants
January 20	Meeting - NST	Jon Stover, Lynne Milne, Calvin Howell, Raja Kannan	Trathen, Townsend, Aldrich
February 2	Meeting - Inmate Remand	Jon Stover, Lynne Milne, Calvin Howell, Raja Kannan	Aldrich, Townsend
April 5	Meeting - Inmate Remand	Jon Stover, Lynne Milne, Calvin Howell, Raja Kannan, Adam Candeub	Aldrich, Townsend
April 13	Meeting - NST	Jon Stover, Lynne Milne, Calvin Howell, Raja Kannan, Lynwood Smith, Adam Candeub, Al Barma	Trathen, Wood, Townsend, Aldrich
April 13	Meeting - Inmate Remand	Jon Stover, Lynne Milne, Calvin Howell, Raja Kannan, Adam Candeub, Al Barma, Lynwood Smith	Townsend, Aldrich, Farber
April 18	Meeting - Inmate Remand	Lynne Milne, Calvin Howell, Raja Kannan, Adam Candeub, Al Barma, Lynwood Smith, Tamara Priess	Townsend, Aldrich
May 8	Meeting - Inmate Remand	Yog Varma, Tamara Preiss, Deena Shetler	Townsend, Aldrich

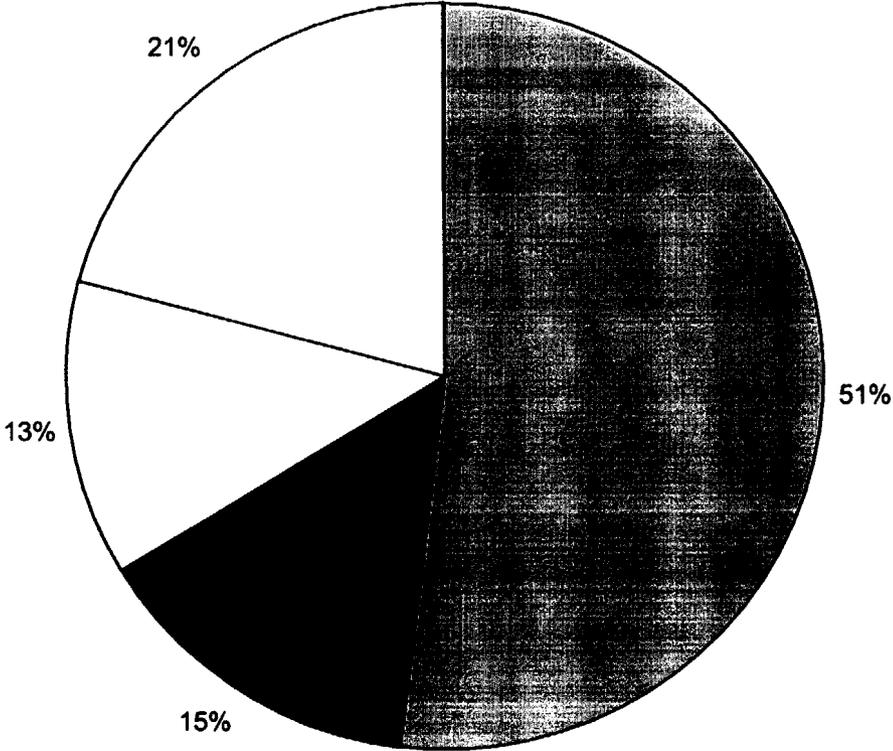
May 8	Meeting - Inmate Remand	Jordan Goldstein	Townsend, Aldrich
May 10	Meeting - NST - Sprint Rates	Jon Stover, Calvin Howell, Raj Kannan, Al Barna, Lenworth Smith, Anna Janckson-Curtis	Townsend, Trathen, Wood
May 10	Meeting - Inmate Remand	Dorothy Attwood	Townsend, Aldrich
June 21	Meeting - Inmate Remand	Jay Atkinson Adam Candeub	Townsend, Aldrich
June 22	Meeting - NST	Jane Jackson Lenworth Smith Lynne Milne Florence Setzer	Trathen, Aldrich
June 27	Meeting - Inmate Remand	Dorothy Attwood	Townsend, Aldrich

**COUNTY JAIL
TYPE OF CALL DISTRIBUTION
NC, SC, TN**



□ LOCAL ■ INTRA-LATA □ INTER-LATA □ INTERSTATE

**COUNTY JAIL
REVENUE BY TYPE OF CALL
NC, SC, TN**



LOCAL INTRA-LATA INTER-LATA INTERSTATE

Rates for a 12 Minute Local Inmate Collect Call and State-Imposed Rate Ceilings

State	RBOC	Local Usage Rates			Collect Call Surcharge	Total Cost	Rate Cap?	Rate Cap Details
		Init. Min	Add'l Min.	Notes				
1 Illinois	SBC	\$ 0.14	\$ 0.13		\$ 2.50	\$ 4.07	No	
2 New Hampshire	Bell Atlantic	\$ 0.35	\$ 0.24		\$ 1.05	\$ 4.04	Yes	Capped at RBOC (Bell Atlantic) tariff rates
3 Indiana	SBC	\$ 0.35	N/A	rates detariffed -- \$0.35 per call assumed	\$ 3.00	\$ 3.35	Yes	Capped at tariffed rates of prevailing ILEC for origination of call
4 Wisconsin	SBC	\$ 0.35	N/A	rates detariffed -- \$0.35 per call assumed	\$ 3.00	\$ 3.35	Yes	Capped at RBOC (SBC) tariff rates
5 Kansas	SBC	N/A	N/A	no per minute rate -- surcharge only	\$ 3.25	\$ 3.25	No	
6 California	SBC	\$ 0.35	N/A		\$ 2.90	\$ 3.25	No	
7 Maine	Bell Atlantic	\$ 0.35	\$ 0.14		\$ 1.30	\$ 3.19	Yes	Rates are not capped by rule, but PUC has never allowed a tariff rate higher than Bell Atlantic
8 Texas	SBC	N/A	N/A	no per minute rate -- surcharge only	\$ 3.00	\$ 3.00	Yes	All intrastate collect surcharges capped at \$3.75
9 Ohio	SBC	\$ 0.35	N/A		\$ 2.50	\$ 2.85	Yes	Capped at RBOC (SBC) tariff rates
10 Georgia	Bell South	\$ 0.35	N/A		\$ 2.45	\$ 2.80	Yes	Capped at RBOC (Bell South) tariff rates
11 Nebraska	US West	\$ 0.35	N/A		\$ 2.25	\$ 2.60	No	
12 North Dakota	US West	\$ 0.35	N/A		\$ 2.25	\$ 2.60	No	
13 Wyoming	US West	\$ 0.35	N/A		\$ 2.25	\$ 2.60	No	
14 Oklahoma	SBC	N/A	N/A	no per minute rate -- surcharge only	\$ 2.55	\$ 2.55	Yes	Capped at maximum rate of any certificated LEC in state
15 South Dakota	US West	\$ 0.35	N/A	rates detariffed -- \$0.35 per call assumed	\$ 2.10	\$ 2.45	Yes	Capped at RBOC (US West) tariff rates
16 Michigan	SBC	\$ 0.35	N/A		\$ 2.05	\$ 2.40	Yes	Rates capped at 300% of average of carrier rates
17 Colorado	US West	\$ 0.35	N/A		\$ 1.85	\$ 2.20	Yes	Capped at RBOC (US West) tariff rates
18 Connecticut	SBC	\$ 0.35	N/A	rates detariffed -- \$0.35 per call assumed	\$ 1.75	\$ 2.10	Yes	Capped at RBOC (Bell Atlantic) tariff rates
19 Florida	Bell South	\$ 0.35	N/A		\$ 1.75	\$ 2.10	Yes	Collect call surcharges capped at \$1.75
20 Vermont	Bell Atlantic	\$ 0.35	N/A		\$ 1.65	\$ 2.00	No	
21 Missouri	SBC	\$ 0.35	N/A		\$ 1.60	\$ 1.95	No	
22 New York	Bell Atlantic	\$ 0.35	See note	Init 3 min \$0.35, \$0.05 ea. add'l 2 min	\$ 1.30	\$ 1.90	Yes	Capped at tariffed rates of prevailing ILEC for origination of call
23 Kentucky	Bell South	\$ 0.35	N/A		\$ 1.50	\$ 1.85	Yes	Capped at tariffed rates of prevailing ILEC for origination of call
24 New Mexico	US West	\$ 0.35	N/A		\$ 1.50	\$ 1.85	No	
25 Utah	US West	\$ 0.35	N/A		\$ 1.50	\$ 1.85	No	
26 Rhode Island	Bell Atlantic	\$ 0.35	See note	Init 5 min \$0.35, \$0.05 ea. add'l 3 min	\$ 1.35	\$ 1.85	Yes	Capped at tariffed rates of prevailing ILEC for origination of call
27 New Jersey	Bell Atlantic	\$ 0.35	See note	Init 4 min \$0.35, \$0.10 ea. add'l 4 min	\$ 1.26	\$ 1.81	No	
28 Arkansas	SBC	N/A	N/A	no per minute rate -- surcharge only	\$ 1.80	\$ 1.80	Yes	Capped at RBOC (SBC) tariff rates
29 Mississippi	Bell South	\$ 0.35	N/A		\$ 1.44	\$ 1.79	Yes	Capped at RBOC (BellSouth) tariff rates
30 Montana	US West	\$ 0.35	N/A	rates detariffed -- \$0.35 per call assumed	\$ 1.35	\$ 1.70	No	
31 Pennsylvania	Bell Atlantic	\$ 0.35	See note	Init 10 min \$0.35, \$0.05 ea. add'l 3 min	\$ *1.30	\$ 1.70	Yes	Capped at RBOC (Bell Atlantic) tariff rates
32 Louisiana	Bell South	\$ 0.35	See note	Init 5 min \$0.35, \$0.35 ea. add'l 5 min	\$ *0.83	\$ 1.68	Yes	Capped at tariffed rates of prevailing ILEC for origination of call
33 Arizona	US West	\$ 0.35	N/A		\$ 1.30	\$ 1.65	Yes	Capped at tariffed rates of prevailing ILEC for origination of call
34 Idaho	US West	\$ 0.35	N/A		\$ 1.30	\$ 1.65	No	
35 Iowa	US West	\$ 0.35	N/A		\$ 1.30	\$ 1.65	Yes	Capped at tariffed rates of prevailing ILEC for origination of call
36 Minnesota	US West	\$ 0.35	N/A		\$ 1.30	\$ 1.65	Yes	Capped at RBOC (US West) tariff rates
37 Oregon	US West	\$ 0.35	N/A		\$ 1.30	\$ 1.65	No	
38 Alabama	Bell South	\$ 0.35	N/A		\$ *1.25	\$ 1.60	Yes	Capped at tariffed rates of prevailing ILEC for origination of call
39 Hawaii	GTE	\$ 0.35	N/A	rates detariffed -- \$0.35 per call assumed	\$ 1.20	\$ 1.55	No	
40 Delaware	Bell Atlantic	\$ 0.35	N/A		\$ 1.10	\$ 1.45	No	
41 Nevada	SBC	\$ 0.35	N/A		\$ 1.00	\$ 1.35	Yes	Capped at RBOC (SBC) tariff rates
42 Massachusetts	Bell Atlantic	\$ 0.35	N/A		\$ 0.86	\$ 1.21	Yes	Capped at RBOC (Bell Atlantic) tariff rates
43 North Carolina	Bell South	\$ 0.35	N/A		\$ 0.80	\$ 1.15	Yes	Capped at tariffed rates of prevailing ILEC for origination of call
44 Virginia	Bell Atlantic	\$ 0.35	N/A		\$ 0.75	\$ 1.10	No	
45 South Carolina	Bell South	\$ 0.35	N/A		\$ 0.70	\$ 1.05	No	
46 Washington	US West	\$ 0.35	N/A		\$ 0.65	\$ 1.00	Yes	Capped at maximum rate of any certificated ILEC in state
47 Maryland	Bell Atlantic	\$ 0.35	N/A		\$ *0.60	\$ 0.95	Yes	Capped at RBOC (Bell Atlantic) tariff rates
48 West Virginia	Bell Atlantic	\$ 0.35	N/A		\$ *0.60	\$ 0.95	Yes	Rates not capped by rule, but PUC has never allowed tariffed rate higher than Bell Atlantic
49 Tennessee	Bell South	\$ 0.35	N/A		\$ *0.50	\$ 0.85	Yes	Capped at RBOC (Bell South) tariff rates
50 Alaska		N/A	N/A		N/A	N/A	N/A	N/A
					\$	2.06		

* The surcharge allowed on inmate calls is lower than the surcharge allowed on regular collect calls in these states.

**Inmate Intra-LATA Collect Call S
November, 1999**

	State	RBOC	Surcharge
1	Indiana	Ameritech	\$3.00
2	Texas	SBC	\$3.00
3	Wisconsin	Ameritech	\$3.00
4	California	SBC	\$2.90
5	Kansas	SBC	\$2.90
6	Oklahoma	SBC	\$2.55
7	Illinois	Ameritech	\$2.50
8	Ohio	Ameritech	\$2.50
9	Georgia	Bell South	\$2.45
10	Alabama	Bell South	\$2.25
11	Idaho, So.	US West	\$2.25
12	Minnesota	US West	\$2.25
13	Nebraska	US West	\$2.25
14	North Dakota	US West	\$2.25
15	Wyoming	US West	\$2.25
16	Louisiana	Bell South	\$2.15
17	South Dakota	US West	\$2.10
18	Michigan	Ameritech	\$2.05
19	Mississippi	Bell South	\$2.01
20	West Virginia	Bell Atlantic	*\$2.00
21	Arkansas	SBC	\$1.80
22	Connecticut	SNET	\$1.75
23	Florida	Bell South	\$1.75
24	Colorado	US West	\$1.70
25	Vermont	Bell Atlantic	\$1.65
26	Missouri	SBC	\$1.60
27	New York	Bell Atlantic	\$1.58
28	Maryland	Bell Atlantic	\$1.55
29	Virginia	Bell Atlantic	\$1.55
30	Kentucky	Bell South	\$1.50
31	New Mexico	US West	\$1.50
32	Utah	US West	\$1.50
33	South Carolina	Bell South	\$1.50
34	Montana	US West	\$1.35
35	Rhode Island	Bell Atlantic	\$1.35
36	Arizona	US West	\$1.30
37	Idaho, No.	US West	\$1.30
38	Iowa	US West	\$1.30
39	Maine	Bell Atlantic	\$1.30
40	Oregon	US West	\$1.30
41	Pennsylvania	Bell Atlantic	*\$1.30
42	New Jersey	Bell Atlantic	\$1.26
43	North Carolina	Bell South	\$1.25
44	Washington	US West	\$1.25
45	Hawaii	GTE	\$1.20
46	Delaware	Bell Atlantic	\$1.10
47	New Hampshire	Bell Atlantic	\$1.05
48	Nevada	SBC	\$1.00
49	Massachusetts	Bell Atlantic	\$0.86
50	Tennessee	Bell South	*\$0.50
	Average =		<u>\$1.75</u>

* Note: Reduced Inmate Collect Surcharge required by s
 =Bell Intra-LATA Surcharge inc

GATEWAY COUNTY FACILITIES

Estimated average revenue per local collect call

<u>STATE</u>	<u># FACILITIES</u>	<u>INMATES</u>	<u>CAPPED RATE/CALL</u>	<u>BASED ON FACILITIES</u>	<u>BASED ON INMATES</u>
AR	17	1,497	\$ 1.80	\$ 30.60	\$ 2,694.60
AZ	1	1,100	\$ 1.65	\$ 1.65	\$ 1,815.00
CA	10	9,197	\$ 3.25	\$ 32.50	\$ 29,890.25
CO	3	1,837	\$ 2.20	\$ 6.60	\$ 4,041.40
IL	1	270	\$ 4.07	\$ 4.07	\$ 1,098.90
IN	5	954	\$ 3.35	\$ 16.75	\$ 3,195.90
IA	1	NA	\$ 1.65	\$ 1.65	
ME	3	411	\$ 3.19	\$ 9.57	\$ 1,311.09
MI	30	7,425	\$ 2.40	\$ 72.00	\$ 17,820.00
MO	1	2,800	\$ 1.95	\$ 1.95	\$ 5,460.00
MS	1	NA			
NM	10	1,160	\$ 1.85	\$ 18.50	\$ 2,146.00
NY	4	762	\$ 1.90	\$ 7.60	\$ 1,447.80
OH	2	2,650	\$ 2.85	\$ 5.70	\$ 7,552.50
OK	5	1,024	\$ 2.55	\$ 12.75	\$ 2,611.20
OR	11	1,254	\$ 1.65	\$ 18.15	\$ 2,069.10
PA	2	1,080	\$ 1.70	\$ 3.40	\$ 1,836.00
TX	8	994	\$ 3.00	\$ 24.00	\$ 2,982.00
UT	1	28	\$ 1.85	\$ 1.85	\$ 51.80
VA	24	5,538	\$ 1.10	\$ 26.40	\$ 6,091.80
WA	9	1,381	\$ 1.00	\$ 9.00	\$ 1,381.00
WI	2	274	\$ 3.35	\$ 6.70	\$ 917.90
22	151	41,636		\$ 311.39	\$ 96,414.24
				\$ 2.06	\$ 2.32

T-NETIX, INC. & SUBSIDIARIES
FINANCIAL STATEMENTS
PER SEC FILING 10-K 12/31/99

	T-NETIX		T-NETIX	
	YTD	%	YTD	%
	12/31/99	REV	12/31/98	REV
REVENUE:				
Telecommunications Services	39,274,000	53.63%	43,089,000	63.14%
Direct Call Provisioning	27,517,000	37.57%	22,736,000	33.32%
Equipment Sales & Other	6,444,000	8.80%	2,416,000	3.54%
O/S Income	<u>73,235,000</u>		<u>68,241,000</u>	
COST OF GOODS SOLD:				
Telecommunications costs	17,674,000	24.13%	17,014,000	24.93%
Direct Call Provisioning	25,032,000	34.18%	20,048,000	29.38%
Cost of Equipment Sold & Other	<u>3,615,000</u>	4.94%	<u>848,000</u>	1.24%
Total Cost of Sales	46,321,000	63.25%	37,910,000	55.55%
Gross Profit	26,914,000	36.75%	30,331,000	44.45%
G&A:				
Selling, General & Administrative	13,794,000	18.84%	13,401,000	19.64%
Depreciation / Amortization	11,620,000	15.87%	10,174,000	14.91%
Impairment of Telecommunication Assets	4,632,000	6.32%	0	0.00%
Research & Development	<u>5,078,000</u>	6.93%	<u>3,936,000</u>	5.77%
Total G&A	35,124,000	47.96%	27,511,000	40.31%
Net Income from Operations	(8,210,000)	-11.21%	2,820,000	4.13%
Merger transactions expenses	(1,017,000)	-1.39%		
Interest Expense & Other Income	<u>(2,137,000)</u>	-2.92%	<u>(2,354,000)</u>	-3.45%
Net Income Before Income Taxes	<u>(11,364,000)</u>	-15.52%	<u>466,000</u>	0.68%

QUESTIONS ON THE NEED FOR FAIR COMPENSATION ON LOCAL COLLECT CALLS

DOCKET NO: 96-126

COMMENTS

JUNE 21, 1999

"Gateway and others have been able to successfully operate, earning a fair profit, under these same rate caps."

Gateway Technologies, Inc.

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"MCI Worldcom is therefore subject to the same surcharge limitations to which the Coalition members are subject. Were such surcharge limits as onerous as the Coalition suggests, no carrier would be willing to bid for contracts to service inmate populations."

MCI WorldCom, Inc.

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DOCKET NO: 96-126

REPLY COMMENTS

JULY 21, 1999

"If ICSPC were right, then Gateway, MCI the RBOCs and others would not be bidding on these contracts, as that would be economic suicide. That is simply not the case."

Gateway Technologies, Inc.

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THE FACTS:

IN THE STATES WITH THE LOWEST RATE CAPS ON LOCAL COLLECT CALLS, GATEWAY/T-NETIX, MCI WORLDCOM, AND AT&T DO NOT PROVIDE LOCAL COLLECT CALL SERVICE TO A SINGLE JAIL.

INDEPENDENT INMATE PHONE SERVICE PROVIDERS
(as of May, 2000)

<u>Previous Providers</u>	<u>Status</u>	<u>Current Coalition Providers</u>
AmeriTel Pay Phones, Inc.	Sold	Evercom
Blair Communications	Sold	Global Telink
Coin Telephone	Sold	McLeod USA
Consolidated Communications	Sold	Pay Tel Communications, Inc.
Correctional Communications Corp	Sold	Public Communications Services
DGI Communications	Out of business	
Executone Corrections Division	Sold	
Harris Corp	Sold	
InVision Telecom, Inc.	Sold	
Kantel	Sold	
KR&K	Sold	
London Communications, Inc.	Sold	
M.O.G. Communications, Inc.	Sold	
North American Communications	Went under	
North American Intelecom	Sold	
OPUS	Halted installations/for sale	
PayCom	Sold	
Payphone Systems	Sold	
Paytel of America	Sold	
Peoples	Sold	
Quest Telecommunications	Sold	
Robert Cefil & Associates	Sold	
Saratoga Telephone	Sold	
Talton Communications	Sold	
Tataka	Sold	
Tel America	Sold	

EVERCOM, INC.
 STATEMENT OF OPERATION
 PER SEC FORM 10-K
 FOR THE TWELVE MONTHS ENDING 12/31/99

Year-To-Date 12/31/99	% REV
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REVENUE:

Operating Revenues 236,801,000

COST OF GOODS SOLD:

Telecommunications costs	104,376,000	44.08%
Facility Commissions	71,359,000	30.13%
Field operations and maintenance	<u>6,428,000</u>	2.71%

Total Cost of Sales 182,163,000 76.93%

Gross Profit 54,638,000 23.07%

G&A:

Selling, General & Administrative	17,214,000	7.27%
Depreciation / Amortization	28,727,000	12.13%
Restructuring Costs	<u>(69,000)</u>	-0.03%

Total Selling, general and admin 45,872,000 19.37%

Net Income from Operations 8,766,000 3.70%

Interest Expense	19,458,000	8.22%
Other Income	<u>(7,000)</u>	0.00%

Total other (income) expense 19,451,000 8.21%

Net Loss Before Taxes (10,685,000) -4.51%

**QUESTIONS ON THE OBJECTIVE OF CARRIERS OPPOSING
A COST-BASED RATE MECHANISM**

DOCKET NO: 96-126

COMMENTS

JUNE 21, 1999

"The level of commission required by the inmate facilities is the most critical single element in the establishment of rates."

Cincinnati Bell

Page 2

"These rates are established in a competitive market by nondominant carriers that have no cost support requirements."

MCI WorldCom, Inc.

Page 3

"...costs of serving a particular inmate facility...are negotiated as a matter of contract among the various parties...."

AT&T

Pages 1 & 2

"ANY COMMISSION INMATE RATE REGULATION SHOULD MIRROR THE LARGEST INTERSTATE CARRIERS' INMATE SURCHARGE AND MTS RATES."

Gateway Technologies, Inc. Page 7

AT&T

INMATE RATES

STANDARD COLLECT RATES

<u>DATE</u>	<u>InterState Surcharge/ Per Minute Rate</u>	<u>Total Cost of 12 Minute Call</u>	<u>InterState Surcharge/ Per Minute Rate</u>	<u>Total Cost of 12 Minute Call</u>
November 19, 1997	\$3.00 / \$.40	\$7.80	\$2.25 / \$.40	\$7.05
October 17, 1998	\$3.00 / \$.45	\$8.40	\$2.25 / \$.45	\$7.65
November 21, 1998	\$3.00 / \$.50	\$9.00	\$2.25 / \$.50	\$8.25
March 1, 1999	\$3.00 / \$.55	\$9.60	\$3.45 / \$.55	\$10.05
July 8, 1999	\$3.00 / \$.59	\$10.08	\$3.45 / \$.59	\$10.53
July 22, 1999	\$3.95 / \$.59	\$11.03	\$3.45 / \$.59	\$10.53
December 1, 1999	\$3.95 / \$.59	\$11.28	\$3.45 / \$.59	\$11.73
March 1, 2000	\$3.95 / \$.69	\$12.23	\$4.99 / \$.69	\$13.27